

Ladies and Gentlemen:

Reference: SBIR Size Standards for Venture Capital Companies

I'm sure that you have been the recipients of innumerable arguments concerning the case of allowing (or not) ineligible VC-Owned Businesses to Enter the SBIR Competition. Please count my voice as another who is against the idea completely. I subscribe totally to the views of Gene Watson from Wyoming who e-mailed you on March 25 and, in addition, would like to add some observations of my own.

First, it should be said that I have been involved with the SBIR program since 1991, under the auspices of Indiana University and the old Industrial Research Liaison Program. I retired at the end of 2003 but still work independently with companies on the program. As a member of an "underserved" state myself (Indiana), I well know the extent to which we have been traditionally ignored by the venture capital community. Further, I also know the reasons, or many of them, and agree with them by and large. There are too few "good deals" available in Indiana. There are also presently too few companies who need the kind of financing (typically \$5 million and up) that interest capitalists, at least at the early stages. Further, venture companies are risk-averse and invest in products and company managements, not technology. I believe the fear of admitting large VC's would result in the "dumbing down" of the program and the loss of innovation that is so well demonstrated by these small companies, to whom traditional sources of funding are not available. Public venture capital.....that is what the SBIR program is, and has been called, and justifiably so. Financing of last resort available primarily to those for whom it is a last resort.

We all knew, those of those who worked this program, that the growth of the SBIR "pool" of funds were causing stirrings in the Halls of Congress, as the program had grown sufficiently to attract unwelcome attention.... We had visions of "raids" on the program by those congresspeople to whom the more traditional pork barrel was being viewed as insufficient. The advent of the large awards, as described by Mr. Watson, was not seen initially by many of us as a threat to the program, but can now be considered as part and parcel of the problem that has led to the size restructuring "power grab". The Advanced Technology Program (ATP)

of the Department of Commerce (NIST) has been roundly criticized by members of this same Congress (previous editions) as "Corporate Welfare", because of the frequent awards made to large corporations. How, in any respect, does this differ from the present ploy, thrown out by those short-sighted members of the venture community, who want to throw a unique small business competition (only 2 1/2% of the R&D budget of the participating agencies) out the window.....

You want to know what will kill the SBIR program? This will. You want to know who this benefits, except a few for a very short time? No one. The rest of the world, including Russia, has wanted to see how this unique program operates, and have sent emissaries to examine it. Kill it, and you kill creativity in this country, at least that

segment of the population that is responsible for most of the innovation and, on a net net basis, all of the job creation in the United States!

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